

Starting A Franchise Presentation

Purpose:

For this project you will be researching a franchise and then make a presentation to the class. You will find out about what is required to operate the franchise. You will need to find out what is needed to "own" a possible franchise and what must be done to do so.

Instructions:

- Read and complete the attached sheet "Business Ownership: The Franchise Option"
 - Activity 1 - read
 - Activity 2
 - Read instructions
 - Read two articles (highlight or underline key facts)
 - Write paragraph required
- Spend time researching different types of franchises and choose one that sounds appealing to you. Here are some helpful websites (there are others you may find as well) to use to start your research:
 - <http://www.franchising.com/>
 - <http://www.franchise.org>
 - <http://www.entrepreneur.com/franchises/rankings/franchise500-115608/2011.html>
 - <http://www.fbr50.com/>
- Using the information below you must present in front of the class with a presentation method of your choice. Feel free to give us more information than requested on the next page. The presentation must be professional looking.
- Be convincing with your presentations! Be enthusiastic and believable

Grading:

- Your presentations will be graded using the attached rubric. When you are selected to present, give me a copy of the following in this order:
 - Rubric with your name, the name of your franchise, and the printed copy of your presentation. (40 points)
 - Copy of your notes from information on page 2 (15 points)
 - Paragraph from activity 2 (15 points)
 - Articles from activity 2 - highlighted or underlined (5 points)
 - Presentation uploaded to your wiki page (5 points)

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Presentation Requirements

- Conduct your research by looking for the following information:
 - Background of the company
 - History
 - Tell who started it, when it was started, and other historical information about your business.
 - What do they sell (different products or services)
 - How well is the company doing?
 - Mention the current status of the franchise today (profits, employees, buildings, status, etc.).
 - How many franchises?
 - Where does your franchise list in the top 100?
 - Discuss any future plans of the business.
 - Describe what your franchise does to help the community—donations, etc.
 - Describe the procedures for obtaining a franchise.
 - Describe how one can go about to start their own franchise.
 - What would be the startup fee and other financial commitments?
 - What will your company (franchisor) provide for this fee?
 - What requirements are of the owner—or person who wants to have a franchise of?
 - Where can you contact the company to find out more information about having a franchise of your company?
 - A slide of all web sites you used for this presentation must be included at the end!

Remember not to plagiarize, by just copying/pasting the information you find—does not mean you did this project—you would earn a “0”

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Presentation Rubric : Franchise Research

Student Name _____

CATEGORY	10 points	8 points	6 points	4 – 0 points
Preparedness	Student is completely prepared and has obviously rehearsed. Uses class time well.	Student seems pretty prepared but might have needed a couple more rehearsals.	The student is somewhat prepared, but it is clear that rehearsal was lacking.	Student does not seem at all prepared to present.
Posture and Eye Contact	Stands up straight, looks relaxed and confident. Establishes eye contact with everyone in the room during the presentation.	Stands up straight and establishes eye contact with everyone during most of presentation.	Sometimes stands up straight and makes some eye contact.	Slouches and/or does not look at people during the presentation. Or faces the SmartBoard instead of the audience. Laughs and does not take it serious during presentation.
Handouts (Go to print, and at the bottom left, go to <u>print what</u> : select handouts—I can show you if you need help!)	Comes to class with the handout form of Power Point printed and turns it in after their presentation.	Prints the handout when they come to class, and then turns it in after the presentation.	Printed the Power Point project in slides—not handout form, and turned it in after the presentation.	Did not print out the presentation at all or turn it in.
Information	All components of each of the categories on page 2 are present.	Missing 3 items in categories on page 2.	Missing more than 3 items on the categories on page 2.	Missing several items in any one of the categories.

Business Ownership: The Franchise Option

INTRODUCTION

Many people dream of being an entrepreneur. But starting a business from scratch with a business plan, investors, and the legal issues associated with a new business can be intimidating — especially for people who have limited resources or business experience. Purchasing and operating a franchise is an alternative way to fulfill an entrepreneurial dream. Franchising is sometimes described as a way to go into business for yourself, but not by yourself.



Here are some facts and figures about franchises that may surprise you.

- In the year 2000, there were 320,000 franchised small businesses in 75 industries.
- Franchises were said to account for more than 40 percent of all United State retail sales.
- About one out of every 12 retail business establishments is a franchised business.
- It is estimated a new franchise outlet opens somewhere in the United States every eight minutes.

TASK

In this lesson you will learn how franchises operate, including their pros and cons. You will then be asked to make two decisions. You will first consider whether you are better suited for starting a business from scratch or through a franchise. You will also select a franchise opportunity that you think would be an appropriate new business that you might start in your local community.

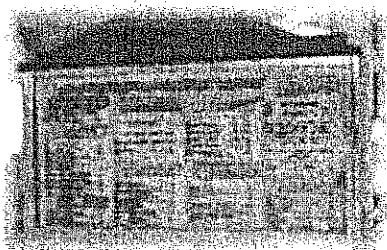
PROCESS

Activity 1: What is a Franchise?

Franchising is defined by state and federal laws as a business relationship between two parties which gives:

- a person or group of people (the franchisee) the right to sell a product or service using the trademark or trade name of another business (the franchiser)
- the franchisee the right to market a product or service using the operating methods of the franchiser
- the franchisee the obligation to pay the franchiser fees for these rights

There are two general types of franchises. **Product distribution franchises** simply sell the franchiser's products - these are supplier-dealer relationships. The franchiser licenses its trademark and logo to the franchisees but typically does not provide them with an entire system for running their business. The industries where you most often find this type of franchising are soft drink distributors, automobile dealers and gas stations. Some well-known product distribution franchises are Pepsi, Ford Motor Company and Exxon.



Business format franchises, not only use a franchiser's product, service and trademark, but also the complete method for conducting the business, such as the marketing plan and operations manuals. Examples of business format franchises include MacDonald's, Taco Bell, Radio Shack, Marriott Hotels, Jenny Craig International, H&R Block, Midas International, Barbizon School of Modeling, Century 21 Real Estate, and 7-Eleven.

Although product distribution franchising represents the largest percentage of total retail sales, business format franchises are the most common type of franchise. Most franchises opportunities available today are of the business format type.

Activity 2: Franchise Pros and Cons

Imagine you want to start your own business. Drawing from the information in the articles below, write a paragraph that tells which would be better for you – investing in a franchise or starting a business from scratch. Give at least three reasons for your choice. Regardless of your decision, there will probably be a down side – few choices are all positive or negative. State one of the negatives. When you are finished, give your work to your teacher.

Choosing the Best Business to Buy

Should You Buy a Franchise? (Advantages & Disadvantages)

[Click to Print](#)

Choosing the Best Business to Buy

Franchise, business opportunity or going it alone? Weigh the pros and cons of each before making your choice.

January 7, 2001

URL: <http://www.entrepreneur.com/article/47774>

Q: I am considering either buying a business or starting my own, so I'm in the process of researching different opportunities. A friend suggested I look into purchasing a franchise. What are the advantages and disadvantages of buying a franchise versus starting a stand-alone business? Wouldn't starting my own business give me more control?

A: In essence, you are facing three different opportunities: 1) buying an existing business, 2) investing in a franchise opportunity or 3) starting a business from scratch. I'll discuss each option individually, and then provide a brief outline of the pros and cons.

Purchasing an existing business: This option can provide a degree of comfort nonexistent in a new venture, as the company will have a tangible operational and financial history that can be evaluated. This history allows an entrepreneur to learn from the past mistakes and successes of the business, eliminating the need for the trial-and-error processes inherent in a start-up. Vendor relationships, employee base, customers and operational processes are all in place.

Sellers are often required to remain with the business during a transition period, which helps in the "training" of a new owner. That being said, significant operational changes may be difficult to institute when procedures are well-entrenched. Finding the right business to purchase can be difficult as well. It is generally wise to leverage your past experience and expertise when purchasing or starting a company, which may limit the number of potential acquisition targets within your geographic region.

Pros

- Known quantity/proven formula
- Owner transition/training available
- Full control of strategic direction
- Ability to thoroughly review past records/history

Cons

- Integration/ownership transfer issues
- Purchase financing may be difficult to find
- Significant changes may be hard to institute
- Difficult to find the right opportunity
- May have unknown "warts" from previous owner

Buying a franchise: This route provides a nice compromise between starting your own business and purchasing an existing one. Franchisors have established a set business plan for their franchisees, offering cookie-cutter-type guidelines for new business owners. Financing may be available through the franchisor to help you purchase a franchise. Training and operational support are provided, albeit at varying levels, depending upon the franchise.

Franchisors have an incentive to aid their franchisees because they receive a royalty fee based upon the sales or

profitability level of the franchisee. Franchisors may provide help-not only in starting a new franchise, but also in the assessment of existing franchises to help promote operational improvement. On the flip side, the formulaic nature of franchises can create boundaries with regard to the ways a franchisee is allowed to run his or her business. The UFOC (Uniform Franchise Offering Circular), when reviewed in detail, will give you a thorough understanding of the franchisee/franchisor relationship.

Pros

- Step-by-step guidelines
- Training, professional guidance
- Financing may be available
- Continued "consulting" relationship
- Access to other franchisees for help/ideas

Cons

- Operational boundaries (geographic, financial, vendors and so on)
- Limited industry choices-may not be available in specific geographical areas
- Must pay royalty fee

Starting a business from scratch: This option provides the highest level of flexibility to an entrepreneur, as he is able to control every aspect of the business to create a business to his own specifications. The entrepreneur directs every detail, such as product or service positioning, branding, marketing, finding the location, locating vendors and selecting the employee base. This option works best for someone who already has a specific idea for a business.

One of the biggest hurdles faced by a start-up is financing. If the business requires a significant level of initial capital, the entrepreneur will need to solicit sources of funding from angel, venture capital and traditional financing sources to support his investment. Although starting a business generally presents the highest degree of risk of the three options, the rewards for this risk are generally the highest as well.

Pros

- Good option if you have a specific business idea
- Control of all decisions
- Higher return

Cons

- Financing
- Uncertain formula/idea
- Hardest road for inexperienced entrepreneur

Loraine MacDonald is director of advisory services at USBX, an investment banking firm specializing in the mergers and acquisitions of small to midsized businesses. She has been involved in the valuation and sale of privately-held businesses for over ten years.

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About.com Small Business: Canada

Should You Buy A Franchise?

Franchises Can Be A Shortcut to Success

By Susan Ward, About.com Guide

When it comes to starting a business, many people think of buying a [franchise](#)¹ as a shortcut to success. While there is some truth to this, not all franchises are created equal, and not everyone is cut out to be a franchisee.

Is there a franchise in your future? Here are the advantages and disadvantages of buying a franchise and what to expect when buying a franchise to help you decide.

Advantages of Buying A Franchise

1) Lower Failure Rate - When you buy a franchise, you are buying an established concept that has been successful. Statistics show that franchisees stand a much better chance of success than people who start independent businesses; independent businesses stand a 70 to 80 percent chance of NOT surviving the first few critical years while franchisees have an 80 percent chance of surviving (Michael M. Colman, *Franchising in Canada: Pros and Cons*, Self-Counsel Press).

2) Help with Start Up and Beyond - You get a lot of help starting your business and running it afterwards. Many franchises are, in fact, [turnkey operations](#)². When you buy a franchise, you get all the equipment, supplies and instruction or training needed to start the business. In many cases, you also get ongoing training, and help with management and marketing. Your franchise will reap the benefit of the parent company's national marketing campaigns, for instance.

3) Buying Power - Your franchise will benefit from the collective buying power of the parent company as the franchisor can afford to buy in bulk and pass the savings along to franchisees. Inventory and supplies will cost less than if you were running an independent company.

4) Star Power - Many well-known franchises have national brand-name recognition. Buying a franchise can be like buying a business with built-in customers.

5) Profits - A franchise business can be immensely profitable. (Think of Macdonalds and Tim Hortons, for instance.)

Disadvantages of Buying A Franchise

1) Their Way or The Highway - The main disadvantage of buying a franchise is that you have to do it their way - sometimes right down to the way the napkin holders are filled. As a franchisee, you are not the one actually running the show, and some franchisors exert a degree of control that you may find exasperating.

2) Ongoing Costs - Besides the original franchise fee, royalties, a percentage of your franchise's business revenue, will need to be paid to the franchisor each month. The franchisor may also charge additional fees for services provided, such as the cost of advertising.

3) Ongoing Support? Not all franchisors offer the same degree of assistance in starting a business and operating it successfully. Some are just startup operations - and everything after startup is up to you. Others make promises of ongoing training and support that they don't follow up on.

4) Cost - Buying into well-known franchises is very expensive. If this is your choice, you will have to have extremely deep pockets or the ability to arrange the necessary financing.

5) Shark-Infested Waters - Buying a little-known, perhaps inexpensive franchise can be a real gamble. Just because a business is offering franchises is no guarantee that the franchise you buy will be successful. In some cases, franchising is the business; all the franchisor is interested in is selling more franchises. Whether or not the individual franchises are successful is irrelevant to them. This is not to say that no little known, inexpensive franchises are worthwhile, but just a reminder that any franchise you're thinking of buying needs to be investigated carefully.

Let's suppose, though, that you've found a franchise that interests you and that appears to be a solid opportunity for a franchisee. What do you do next? Continue on to the next page to read about the franchise application, interview and contract.

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